

**Lubbock Economic  
Development Alliance**

(A Component Unit of The City of Lubbock, Texas)

**Audited Basic Financial Statements**

For the Year Ended:

**September 30, 2008**

**Robinson  
Burdette  
Martin &  
Seright, L.L.P.**  
a professional services firm of  
certified public accountants

**Table of Contents**

Independent Auditors' Report..... 1

**Basic Financial Statements:**

*Government-Wide Financial Statements:*

Statement of Net Assets..... 4  
Statement of Activities ..... 5

*Fund Financial Statements:*

**Governmental Funds:**

Governmental Fund Balance Sheet..... 7  
Governmental Fund Statement of Revenues,  
Expenditures, and Changes in Fund  
Balance..... 8

Notes to Basic Financial Statements ..... 10

**Robinson  
Burdette  
Martin &  
Seright, L.L.P.**

a professional services firm of  
certified public accountants

1500 Broadway  
Suite 1300  
Lubbock, Texas 79401-3107

telephone (806) 744-3333  
fax (806) 747-2106  
www.rbmsllp.com

### **Independent Auditors' Report**

To the Honorable Mayor Tom Martin and Members of the City Council  
The City of Lubbock, Texas  
And the Board of Directors of  
Lubbock Economic Development Alliance

We have audited the accompanying financial statements of the governmental activities, each major fund of Lubbock Economic Development Alliance ("LEDA"), a component unit of the City of Lubbock, Texas, as of and for the year ended September 30, 2008, which collectively comprise LEDA's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of LEDA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* ("GAS"), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of LEDA as of September 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

LEDA has not presented the Required Supplementary Information (Management's Discussion and Analysis ("MD&A") and budgetary comparison information in LEDA's case) that the Governmental Accounting Standards Board ("GASB") has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Robinson Burdette  
Martin & Seright, L.L.P.*

Lubbock, Texas  
November 11, 2008

**Lubbock Economic Development Alliance**

**Basic Financial Statements**

**For the Year Ended:**

**September 30, 2008**

**Lubbock Economic Development Alliance**  
**Government-Wide Financial Statements**

**For the Year Ended:**  
**September 30, 2008**

**Lubbock Economic Development Alliance**  
**Statement of Net Assets**  
**September 30, 2008**

*Government-Wide Financial Statements - Accrual Basis - There are no Business-Type Activities*

		<b>Governmental Activities</b>
Cash and equivalents	\$	3,620,198
Prepaid expenses		14,130
Accounts receivable		776,154
Capital assets:		
Land		16,224,909
Depreciable capital assets, net		<u>130,039</u>
<b>Assets</b>	<b>\$</b>	<b><u>20,765,430</u></b>
Accounts payable	\$	348,231
Accrued liabilities		38,238
Other current liabilities		16,929
Due to affiliate		496,770
Notes payable		
Estimated amounts due within one year		1,450,000
Estimated amounts due after one year		5,677,924
Incentives and special projects liabilities:		
Estimated amounts due within one year		773,081
Estimated amounts due after one year		<u>1,031,684</u>
<b>Liabilities</b>		<b><u>9,832,857</u></b>
Invested in capital assets, net of related debt		9,227,024
Unrestricted		<u>1,705,549</u>
<b>Net Assets</b>	<b>\$</b>	<b><u>10,932,573</u></b>

See accompanying *Notes to Basic Financial Statements*.

**Lubbock Economic Development Alliance**  
**Statement of Activities**  
For the Year Ended September 30, 2008

*Government-Wide Financial Statements - Accrual Basis - There are no Business-Type Activities*

<b>Programs:</b>	Expenses	Program Revenues			Net Revenue (Expense) & Change in Net Assets
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Economic development	\$ 4,258,604	\$ -	\$ 6,102,185	\$ 1,228,495	\$ 3,072,076
Depreciation expense (all unallocated)	<u>34,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,956)</u>
<b>Governmental Activities</b>	<u>\$ 4,293,560</u>	<u>\$ -</u>	<u>\$ 6,102,185</u>	<u>\$ 1,228,495</u>	<u>3,037,120</u>
Gain/(loss) on capital asset disposals					<u>(1,391,503)</u>
<b>Special Items</b>					<u>(1,391,503)</u>
<b>Change in Net Assets</b>					1,645,617
Net assets - beginning					<u>9,286,956</u>
Net assets - ending					<u>\$ 10,932,573</u>

**Lubbock Economic Development Alliance**

**Fund Financial Statements**

**For the Year Ended:**

**September 30, 2008**



**Lubbock Economic Development Alliance**  
**Governmental Fund Balance Sheet**  
**September 30, 2008**

*Governmental Fund Financial Statements - Modified Accrual Basis*

	<b>Governmental Fund</b>
Cash and equivalents	\$ 3,620,198
Prepaid expenses	14,130
Accounts receivable	<u>776,154</u>
<b>Assets</b>	<b>\$ <u>4,410,482</u></b>
Accounts payable	\$ 348,231
Accrued liabilities	38,238
Other current liabilities	16,929
Due to affiliate	496,770
Incentives and special projects payable	<u>116,150</u>
<b>Liabilities</b>	<b><u>1,016,318</u></b>
Reserved for:	
Incentive and special project contractual commitments	1,688,615
Unreserved:	
Unreserved, undesignated	<u>1,705,549</u>
<b>Fund Balance</b>	<b><u>3,394,164</u></b>
<b>Liabilities &amp; Fund Balance</b>	<b>\$ <u>4,410,482</u></b>

**Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets:**

**Governmental Fund Balance Above** 3,394,164

*Amounts reported for governmental activities in the Statement of Net Assets (page 4) are different due to the following:*

Capital assets used in governmental activities are not financial resources and are not reported in the fund. 9,227,024

Long-term liabilities are not due and payable from current financial resources and are not reported in the fund. (1,688,615)

Deferred loss on capital asset swap is not a current financial resource and is not reported in the fund. -

**Net Assets, per the Government-Wide Statement of Net Assets - Page 4** \$ **10,932,573**

**Lubbock Economic Development Alliance**  
**Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance**  
**September 30, 2008**

*Governmental Fund Financial Statements - Modified Accrual Basis*

	<b>Governmental Fund</b>
Sales tax revenue	\$ 4,212,406
Other income	3,118,274
Other financing source - note payable issued	<u>7,250,000</u>
<b>Revenues</b>	<b><u>14,580,680</u></b>
Economic development incentives and special projects	722,293
Personnel services	1,214,611
Administration	1,389,598
Capital outlay	<u>12,374,217</u>
<b>Expenditures</b>	<b><u>15,700,719</u></b>
<b>Revenues over Expenditures</b>	<b><u>(1,120,039)</u></b>
<b>Change in Fund Balance</b>	<b>(1,120,039)</b>
Fund balance - beginning	<u>4,514,203</u>
Fund balance - ending	<u><u>\$ 3,394,164</u></u>

**Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities:**

**Governmental Fund Change in Fund Balance Above** (1,120,039)

*Amounts reported for governmental activities in the Statement of Activities (page 5) are different due to the following:*

The governmental fund reports capital asset purchases as capital outlay expenditures and proceeds from disposals as income. However, in the Statement of Activities, the costs of capital assets are allocated over their estimated useful lives as depreciation expense and gains/losses on disposals are recognized. This is the net effect of the government-wide accounting for capital asset transactions for the current period. 10,947,761

Loan proceeds provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of loan principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments. (7,127,924)

Expenses related to incentive and special project commitments recognized in the Statement of Activities do not require the use of current financial resources and are not recognized in the funds. This is the change in the incentive and special project commitments recognized in the Statement of Activities. (1,054,181)

**Change in Net Assets, per the Government-Wide Statement of Activities - Page 5** \$ 1,645,617

**Lubbock Economic Development Alliance**

**Notes to Basic Financial Statements**

**For the Year Ended:**

**September 30, 2008**

**Lubbock Economic Development Alliance**  
**Notes to Basic Financial Statements**  
**For the Year Ended September 30, 2008**

**Note 1: Reporting Entity**

Lubbock Economic Development Alliance ("LEDA") was formed on June 1, 2004 by the City of Lubbock, Texas ("Lubbock") as a 4A corporation to create, manage and supervise programs and activities to promote, assist and enhance economic development within and around Lubbock.

A board of directors appointed by the Lubbock City Council ("City Council") oversees LEDA's operations. LEDA's primary source of revenue is a one-eighth (1/8) of one percent sales and use tax imposed within the City of Lubbock. LEDA's Basic Financial Statements ("BFS") are discretely presented as a component unit in Lubbock's Comprehensive Annual Financial Report, in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, LEDA has no component units within its own reporting entity.

**Note 2: Summary of Significant Accounting Policies**

These BFS are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units, including specialized industry practices as specified in the American Institute of Certified Public Accountants audit and accounting guide titled *Audits of State and Local Governmental Units*. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body that establishes governmental accounting and financial reporting principles.

**Basis of Presentation.** LEDA has implemented the provisions of GASB Statement No. 34, *Basic Financial Statements for State and Local Governments* ("GASB 34"). LEDA's BFS consist of **Government-Wide Financial Statements** and **Fund Financial Statements**, as well as these notes. The measurement focus and basis of accounting vary across the financial statements.

**Measurement Focus and Basis of Accounting.** The accompanying BFS are prepared under two different methods of measurement and bases of accounting. Measurement focus relates to the goal in determining results of operations, while the basis of accounting relates to the timing of recognition. A fund's basis of accounting is determined by its measurement focus. The **economic resources** measurement focus requires the **accrual** basis of accounting. The **current financial resources** measurement focus requires the **modified accrual** basis of accounting.

- Under the **economic resources / accrual** methods, revenues and expenses are recognized when earned and when a liability is incurred, respectively, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues when all eligibility requirements imposed by the provider have been met. All assets and liabilities associated with operations (e.g., capital assets and debt) are recognized. The government-wide financial statements are prepared and presented under these methods.
- The **current financial resources / modified accrual** methods recognize revenues and other financing sources when measurable and available. Revenues are considered available when they are collectible (i.e. collection is expected to occur in the current period or soon enough thereafter to pay liabilities of the current period). For this purpose, LEDA considers revenues to be available if they are collected by the end of the current fiscal period. Expenditures are recorded when a liability is incurred, with the exceptions of debt service, judgments, and claims, which are not recognized until payment is due. Unique aspects of this method are that purchases of capital assets are recognized as expenditures rather than being capitalized and depreciated over their useful lives; borrowings are recognized as financial resources (rather than liabilities) and the principal payments, along with interest (i.e., debt service), are recognized as expenditures rather than as reductions of liabilities. Generally, only current assets and current liabilities are recognized. The governmental fund financial statements are prepared and presented under these methods.

**Lubbock Economic Development Alliance**  
**Notes to Basic Financial Statements**  
**For the Year Ended September 30, 2008**

**Note 2: Summary of Significant Accounting Policies (continued)**

*Government-Wide Financial Statements ("GWFS").* The GWFS, consisting of the Statement of Net Assets and the Statement of Activities, are prepared and presented under the **economic resources** measurement focus and the **accrual** basis of accounting. These statements present information about the financial activities of LEDA as a whole.

- The *Statement of Net Assets* presents LEDA's year-end financial condition on a government-wide accrual basis.
- *Statement of Activities.* The Statement of Activities is a comparison of direct expenses and revenues for each of LEDA's programs. Direct expenses are those that are specifically associated and identifiable with a specific program. Program revenues include charges paid by recipients of goods or services offered by the respective program, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants which is restricted to be used for support of a particular program. Revenues that are not programmatic would be presented as general revenues, with certain exceptions (LEDA currently has no source of general revenues). The comparison of direct expenses with program revenues identifies the extent to which each program is self-financing or drawing from any general revenues generated by LEDA.

*Fund Financial Statements ("FFS").* Throughout the year LEDA accounts for transactions correlated with certain programs in separate funds, for financial management and legal compliance purposes. A fund is a distinct fiscal and accounting entity with a self-balancing set of accounts. LEDA's financial resources are accounted for in two fund categories, governmental and fiduciary. GASB 34 created the concept of "major" funds for financial reporting purposes; the focus of governmental FFS is major funds.

*Major Fund Determination for LEDA.* GASB 34 requires that governmental funds be presented as major funds if total assets, liabilities, revenues or expenditures of an individual governmental fund are 10 percent or more of the corresponding total (assets, liabilities, etc.) for that fund.

GASB 34 further permits the reporting of any fund as major, whether it meets the quantitative criteria or not, if management believes it is of particular importance to financial statement users (e.g., for public interest or consistency).

*Fund Financial Statements.* Fund financial statements enable presentation of financial information at a more detailed level for major funds, while nonmajor funds are combined and presented in a single column.

Fiduciary funds are not subject to the major/nonmajor determination. Multiple funds in the fiduciary category are combined and reported by fund type.

*Account Groups.* Under the GASB 34 reporting model, the General Fixed Assets and General Long-Term Debt account groups presented in the general purpose financial statements are not presented in the BFS; capital assets acquired by governmental funds and long-term liabilities of the governmental funds are included in the GWFS.

**Lubbock Economic Development Alliance**  
**Notes to Basic Financial Statements**  
**For the Year Ended September 30, 2008**

**Note 2: Summary of Significant Accounting Policies (continued)**

*Governmental Funds.* Governmental funds are used to account for all of LEDA's general activities, including the collection and disbursement of grants and other contributions. Governmental funds reported in the FFS focus on the sources, uses and balances of current financial resources. Expendable assets are reported in the various governmental funds based on their intended purpose, including any restrictions as to use; current liabilities are reported in the funds from which they will be paid. The net balance of governmental fund assets and liabilities is the fund balance. Grant management contracts are accounted for through individual special revenue funds, one of which is reported as a major fund. LEDA has neither a general fund nor capital project or debt service funds.

All governmental funds are accounted for and presented in the FFS under the **current financial resources** measurement focus and the **modified accrual** basis of accounting. This approach differs from the measurement and presentation of the governmental activities in the GWFS. Governmental FFS are reconciled to the GWFS with brief explanations of the reconciling items.

*Fiduciary Funds.* Fiduciary fund reporting focuses on net assets and changes in net assets for assets held for outside parties. The fiduciary fund category is divided into four types: pension, investment and private-purpose trust funds, and agency funds.

*Cash and Equivalents.* Cash includes amounts on hand and in demand deposits. Book overdrafts of demand deposits, if any, are reclassified to accounts payable for financial statement purposes. Money market mutual funds and other temporary investments are not considered cash equivalents.

*Investments.* Investments are reported at fair market value; investment income is recorded in the respective fund holding the investment. *Restricted investments* include unspent proceeds of grants or other contributions, with constraints imposed either: (a) externally by creditors, grantors, contributors or laws or regulations of other governments, or (b) legally through constitutional provisions or enabling legislation.

*Inventory.* Inventory purchases are recorded as expenditures at the time of purchase. At year end, inventory on hand is valued at the lower of first-in-first-out cost (including donated items recorded at fair market value based on the date received) or market value; any valuation adjustments are recorded as decreases in expenditures (for purchased items), or increases in contributions revenue (for donated items).

*General Capital Assets.* Acquisitions are recognized as expenditures in the governmental FFS; the assets are only reported in the GWFS.

In the GWFS, general capital assets are recorded at cost and updated for additions and disposals during the year. Donated fixed assets are recorded at fair market value as of the date received. Improvements are capitalized; costs incurred for routine repairs and maintenance, neither adding value to nor extending the useful life of the asset, are not capitalized. General capital assets, with the exception of land, are depreciated from the date placed in service using the straight-line method, over their estimated useful lives as follows:

Leasehold improvements .....	40 years
Furniture and equipment.....	3-7 years
Vehicles .....	5 years

**Lubbock Economic Development Alliance**  
**Notes to Basic Financial Statements**  
**For the Year Ended September 30, 2008**

**Note 2: Summary of Significant Accounting Policies (continued)**

*Incentives and Special Projects Liabilities.* Incentive and special project expenditures are recognized in the governmental FFS when the obligation was incurred and payment was made during the current fiscal year or will occur within 60 days of year end. Additional liabilities are recorded in the GWFS for incentive and special project contractual commitments entered into during the year but not accrued for in the special revenue funds at year end, if the eligibility requirements have been met and management considers payment to be probable.

*Compensated Absences.* Accumulated vacation leave is generally not significant; such expenditures are included in accrued liabilities for the respective funds.

*Sales Tax Allocations.* LEDA receives one-eighth (1/8) of one percent of the sales and use tax imposed within the City of Lubbock; LEDA normally receives its allocation within 60 days of the month taxed.

*Fund Balances.* Reservations of fund balances in the governmental FFS include amounts that are either unavailable for expenditure or legally segregated for a specific future use. Designations of unreserved fund balances represent current financial resources tentatively planned for specific future use.

*Net Assets.* Net assets represent the difference between LEDA's assets and liabilities in the GWFS; net assets are presented in three components, as applicable:

- Invested in capital assets, net of related debt – include general capital assets net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, capital leases or other borrowings that are attributable to the acquisition, construction or improvement of those assets (with the exception of any related unspent debt proceeds at year end, which are presented as amounts restricted for capital purposes).
- Restricted – include net assets that are restricted for specific purposes through constraints that are either:
  - Externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments, or
  - Imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – not meeting the criteria for treatment as either of the above components.

In accordance with GASB 34, designations of net assets are not reported on the face of the GWFS.

*Tax Status.* LEDA is a nonprofit corporation exempt from Federal income tax under Section 501(c)(4) of the Internal Revenue Code ("IRC") of 1986, as amended. Accordingly, there is no provision for Federal income taxes in the accompanying BFS.

**Note 3: Budgetary Accounting**

LEDA is required to submit a proposed operating expenditure budget to the City Council on an annual basis. Lubbock's Budget Department provides annual revenue estimates; public hearings are conducted for taxpayer comments, then the budget is legally enacted through passage of an ordinance by the City Council. LEDA does not use encumbrance accounting. Although GASB 34 indicates presentation of budgetary comparison information is part of the minimum required financial presentation for governments as Required Supplementary Information ("RSI"), GASB reached a conclusion that such information is not essential to the fair presentation of the BFS when designating information as RSI. LEDA has elected not to present RSI, including budgetary comparison information.

**Lubbock Economic Development Alliance**  
**Notes to Basic Financial Statements**  
**For the Year Ended September 30, 2008**

**Note 4: Cash and Investments**

*Cash.* At year end, the carrying amount of LEDA's deposits was \$3,613,252 and the bank balance was \$3,908,818. Of the bank balance, \$100,000 was covered by federal depository insurance. As of September 30, 2008, LEDA's bank balance was not exposed to custodial credit risk because it was secured and collateralized by approximately \$3,829,335 million of securities held by the pledging financial institution's trust department.

*Investments.* LEDA's investments are categorized based on criteria specified by GASB as follows:

- 1) Insured or registered, with securities held by the entity or its agent in the entity's name.
- 2) Uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's name.
- 3) Uninsured and unregistered, with securities held by the counter party or by the counter party's trust department or agent, but not in the entity's name.

As of September 30, 2008 LEDA did not hold any investments.

**Note 5: Capital Assets**

Capital assets reported in the accompanying GWFS and related activity for the year ended September 30, 2008 follow:

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
Land (not depreciated, at cost)	\$ 5,284,096	\$ 12,326,858	\$ 1,386,045	\$ 16,224,909
Office equipment (being depreciated, at cost)	181,168	47,361	40,791	187,738
Accumulated depreciation	<u>58,076</u>	<u>34,956</u>	<u>35,333</u>	<u>57,699</u>
Depreciable, Net	<u>123,092</u>	<u>12,405</u>	<u>5,458</u>	<u>130,039</u>
Capital Assets, Net	<u>\$ 5,407,188</u>	<u>\$ 12,339,263</u>	<u>\$ 1,391,503</u>	<u>\$ 16,354,948</u>

Depreciation expense totaling \$34,956 was recognized in the GWFS during the current year; none of this expense was allocated to LEDA's various programs.

**Note 6: Leases**

On November 1, 2006, LEDA entered into a ten-year operating lease for office space at 1500 Broadway. Per the terms of the lease agreement, rent is \$10,110 per month plus a pro-rata portion of the monthly utilities for the property. The monthly rent is subject to annual increases based on calculations set forth in the lease agreement.

LEDA also leases certain equipment under monthly operating leases. LEDA recognized lease and rental expenditures totaling \$154,261 for the year ended September 30, 2008.



**Lubbock Economic Development Alliance**  
**Notes to Basic Financial Statements**  
**For the Year Ended September 30, 2008**

**Note 7: Incentives and Special Projects Liabilities**

Incentive and special project expenditures are recognized in the FFS when expected to be paid within 60 days of year-end. Current year activity and the September 30, 2008 liabilities for incentives and special projects are as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due Within One Year</u>
Incentive contracts	\$ 371,782	\$ 2,001,900	\$ (568,917)	\$ 1,804,765	\$ 773,081
Special projects	-	-	-	-	-
	<u>\$ 371,782</u>	<u>\$ 2,001,900</u>	<u>\$ (568,917)</u>	<u>\$ 1,804,765</u>	<u>\$ 773,081</u>

Incentives are primarily for economic development through the creation and maintenance of new jobs. Special projects include contractual commitments to local businesses. The underlying contracts provide for payments over periods ranging from two to five years, if the performance requirements are met.

**Note 8: Commitments and Contingencies**

LEDA has entered into engineering and construction contracts for Phase I development of the Lubbock Business Park and the Lubbock Railport, located on 586 and 301 acre tracts of land, respectively, both located in northeast Lubbock on land currently owned by LEDA. Upon completion, the Business Park and Railport will be conveyed to businesses in individual units for economic development purposes. Businesses receiving land grants must commit to build office, industrial or other economic facilities on site, with the intent of creating additional jobs for the Lubbock community.

Construction of the Business Park and Railport began in August, 2007, and is expected to be completed in December 2008. When completed the total cost of the project is expected to be approximately \$17.9 million; as of September 30, 2008, the final \$1.2 million of the total expected cost had not been billed by and was not yet due to the contractor.

**Note 9: Notes Payable and Long-Term Debt**

**Taxable Loan**

To secure financing for the development of the Lubbock Business Park and the Lubbock Railport, including the construction of streets and roads, water, electric and gas utilities improvements, drainage and related improvements, and telecommunications and internet improvements, LEDA entered into a taxable loan and security agreement (the "Loan") with a bank on August 23, 2007 for a principal sum of \$7.25 million. At September 30, 2008, the outstanding balance on the Loan was \$7,127,924.

The Loan bears interest at a floating rate of equal to the Wall Street Journal Prime Rate minus one-half of one percent, adjusted for any changes in the Wall Street Journal Prime Rate.

Interest begins accruing upon the initial draw request. Beginning September 15, 2007 and continuing until August 15, 2008, LEDA is required to make monthly interest payments on the outstanding principal balance. From September 15, 2008 through the maturity date, 60 monthly principal and interest payments are required, with the balance of the Loan due in full on August 15, 2013.

The Loan is secured by 100% of the funds collected by the City of Lubbock from the levy of the sales and use tax, without deduction, offset or credit for any administrative charges or expenses incurred by Lubbock or LEDA in connection with the levy and collection of the sales and use tax, other than any amounts owed to the Texas Comptroller of Public Accounts for collection costs and other charges.

**Lubbock Economic Development Alliance**  
**Notes to Basic Financial Statements**  
**For the Year Ended September 30, 2008**

**Note 9: Notes Payable and Long-Term Debt (continued)**

As of September 30, 2008, future maturities of the taxable loan are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Amount</u>
2009	\$ 1,450,000
2010	1,450,000
2011	1,450,000
2012	1,450,000
2013	<u>1,327,924</u>
	<u>\$ 7,127,924</u>

**Revolving Line of Credit**

In 2008, LEDA opened an unsecured revolving line of credit with a bank, at rates to be determined by the lender. At September 30, 2008, LEDA had no outstanding balance on the line of credit but could borrow up to \$500,000. The interest rate at September 30, 2008 was 7.25%.

**Note 10: Retirement Plans**

The Lubbock Economic Development Alliance, Inc. 401(k) Plan (the "Plan") is a defined contribution pension plan administered by a third party. All permanent full-time employees, as defined by the Plan, are eligible to participate after one year of service. Employees are not required to contribute to the Plan, but may make elective deferrals up to the allowable IRS annual limitation. LEDA annually contributes 5% of eligible employee's compensation to the Plan on their behalf; all contributions vest immediately. During the year ended September 30, 2008, employees contributed \$42,707 to the Plan and LEDA contributed an additional \$45,516 on their behalf.

**Note 11: Related Parties**

Lubbock provides certain services to LEDA at no charge; the nature and scope of these services vary as deemed appropriate by Lubbock and LEDA management. Management is unable to estimate the value of these services.